23 January 2026

To: CCIL

Dear Sirs/Madams

CCIL - Consultation Paper on Review of the Provisions for Capped Member liability on account of Default Fund replenishment in Clearing Segments of CCIL

FIA[1] appreciates the opportunity to provide comments to CCIL's "Consultation Paper on Review of the Provisions for Capped Member liability on account of Default Fund replenishment in Clearing Segments of CCIL".

We welcome CCIL's objective of improving transparency and predictability around members' potential unfunded Default Fund exposure to support prudent capital and liquidity planning. We also note the CPMI-IOSCO expectation that recovery tools should be transparent, measurable, manageable and controllable for participants.

We are broadly supportive of CCIL's proposal to delink the liability cap from resignation and to introduce a Default Fund assessment cap that operates independently of a member resigning. This is a constructive step that should provide greater clarity on members' maximum potential exposure to assessment calls over a defined period, and address the practical challenges associated with a cap that is effectively triggered only upon resignation.

We set out below some comments for CCIL's consideration. We hope these assist in enhancing the proposal and ensuring the framework is proportionate, transparent and operationally workable.

1. Multiplier Level

We support CCIL's objective of introducing a clear, measurable cap on members' potential unfunded exposure, and of moving to a cap that is not contingent on resignation. This is consistent with international practice and should enhance predictability for clearing members.

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[1] FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's clearing firm members play a critical role in the reduction of systemic risk in global financial markets. Further information is available at www.fia.org.

However, the proposed 5x multiplier appears high and risks creating outsized liquidity demands in times of stress. We therefore encourage CCIL to consider a lower cap of around 2x the Default Fund contribution for both single and multiple defaults[2]. If losses extend materially beyond this range, this is more likely to reflect a broad-based stress event. In such cases, substantially higher assessment calls may further strain surviving members and may be difficult to enforce in practice. Against this backdrop, an assessment layer of 4x (and above) appears excessive relative to the underlying concentration profile. A 2x cap could still meet CCIL's objectives while limiting the burden on non-defaulting members when conditions are most stressed.

This approach would also be broadly consistent with some of the peer approaches referenced in Annexure 1. For example, Eurex caps assessments at two times the Default Fund contribution at the time of default, and CME caps maximum default assessments at 200% during a defined cooling-off period. This also aligns with approaches seen in other clearing frameworks, including JSCC IRS (1x), OTC Clear in Hong Kong and NSE (both 2x). While we recognise differences in market structure and product mix, these examples illustrate that materially lower caps can be compatible with robust default management frameworks.

If CCIL considers that a 2x cap is not workable for tail scenarios, an alternative would be to apply a lower cap for a single default and a higher cap only for clearly defined multiple-default scenarios. This should be supported by a clear calibration rationale, including the assumptions used and the circumstances in which the higher cap would apply. This would preserve stronger coverage for tail events while improving proportionality and predictability for members in more plausible stress scenarios.

Should CCIL retain a 5x multiplier, we request that CCIL set out the rationale and calibration for that figure, including how it was derived from CCIL's stress assumptions, and how it aligns with the broader default waterfall and recovery strategy. This would help members understand the risk drivers underpinning the proposed multiplier and assess the overall package holistically.

2. Rolling Window and Default Fund Resizing

CCIL's proposal combines a rolling 30-day cap with Default Fund resizing during the period. We understand the intent is to enhance predictability.

[2] Based on the 3Q'25 PQD, initial margin concentration for the largest five members in the Forex Forward segment was ~36%. Assuming an equal distribution, the top two members would represent ~14% in aggregate. On that basis, a 1x GF assessment would cover ~28% of the market and a 2x assessment ~42%.

However, this approach introduces operational complexity, especially given the need to track overlapping windows and multiple revisions. Under a rolling design, the remaining amount that may be called from a member within the relevant 30-day period can change over time. This is because utilisations within the window reduce the remaining capacity, and resizing can create uncertainty as to the applicable cap. The combined effect can be difficult for members to monitor and operationalise in real time, particularly during stress. This is illustrated in Annexure 2, where a Default Fund reduction results in the lower revised cap applying across overlapping windows and reducing the remaining available amount.

This complexity could be reduced through a simpler structure that anchors the cap to a stable reference amount for the relevant period. A "freeze" approach, where the Default Fund base used to determine the cap for the relevant period is fixed, could provide better visibility of potential assessment exposure and support liquidity planning, while remaining consistent with CCIL's objective of introducing a measurable cap.

In addition, to address concerns around prefunded resource availability (as noted in section 2.6 of the consultation), CCIL could consider allowing Default Fund restoration during the capped period, while ensuring that each member's total Default Fund liability remains capped for the full period (for example, at 2x for single/multiple defaults).

3. Resignation Framework and Rulebook Clarity

In line with the proposal's objective of improving predictability, we would appreciate greater clarity on the resignation framework post-implementation. This includes the eligibility criteria, process steps and timelines. Members would also welcome a mark-up of the relevant rulebook provisions. This would enable firms to assess the legal and operational impact effectively.

In this regard, the resignation process should be clear, objective, and not subject to discretionary approval by the CCP or its Board. Members should be able to withdraw upon meeting well-defined criteria, such as completion of any notice period, closure of all open positions, and settlement of all outstanding obligations.

Where a member wishes to withdraw following a default event, the rules should clarify that the withdrawal becomes effective at the end of the defined capped period. Aligning any notice period to the capped period would prevent members from remaining liable for replenishments or defaults occurring after their intended withdrawal date / the end of the capped period.

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4. Default Management Tools and Assessment Calls

The paper describes Default Fund replenishment calls (**Assessment Calls**) as a recovery tool at the end of the waterfall.

It would be helpful for CCIL to clarify how Assessment Calls are intended to operate alongside CCIL's default management arrangements, including where an auction is not successful and CCIL may need to rely on other measures such as forced allocation.

Where non-defaulting clearing members may be required to take on defaulter positions following a failed auction, members would welcome clarity on how this sits alongside Assessment Calls and why a high assessment multiplier is still required. This will help members understand the interaction of CCIL's default management and recovery tools, and how these considerations have informed the proposed multiplier and cap.

We welcome the opportunity to work with CCIL to address these comments. Please feel free to contact me at bherder@fia.org or TzeMin Yeo, Head of Legal & Policy, Asia Pacific at tmyeo@fia.org should you wish to further discuss.

Yours sincerely

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